

Testimony of Brian Cassutt
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Science and Technology Committee

My name is Brian Cassutt, I am the President of the Renewable Energy Industries Association (REIA) and the New Mexico Program Manager for Renewable Funding, a turnkey administrator of PACE programs. I am here today to testify about the progress of distributed generation in New Mexico. I will also be providing a short updated on PACE programs, enabled by the 2009 passage of SB 647 and HB 572.

The Renewable Energy Industries Association is a group of 40 renewable energy companies throughout the state. We are mostly comprised of solar PV companies, although there are members who install DG wind systems, geothermal, and solar thermal systems. Companies have been gradually growing, adding jobs to our economy and helping to build an infrastructure that will curb energy future energy costs, further goals of energy independence, and clean up our electrical system.

Yet the industry seems to be at a tipping point, desperate for policies that will set a long-term gliding path for growth. Such policies are crucial in spurring investment that will allow our member companies to create the necessary economies of scale to grow.

Recently, REIA has been heavily involved in PNM's 2010 Revised Renewable Plan, currently being heard at the PRC. During the process, REIA has advocated positions that would provide long-term stability for our industry. Although the outcome of the proceeding is still uncertain, there have been valuable lessons that we have learned from the process. I would like to take a minute to touch on some of these lessons.

Lesson One-The reward structure for utilities needs to be modified. Utilities receive revenues from selling energy. The less energy they sell, the less revenue they earn. There has of course been much conversation surrounding this moral hazard, and I would encourage this committee to continue to search for win/win situations that brings New Mexico utilities into a new era, where they are rewarded as much for there ability to reduce energy use as they are for selling it. This would include reward structures that emphasize energy management. The investors of PNM are providing valuable services to the ratepayers of New Mexico by providing the capital that is necessary to maintain our electrical infrastructure. As these services change, we need to find ways to reward them for such services.

Lesson Two-The goals of the statutorily established Renewable Portfolio Standard (RPS) should be re-examined in light of the Reasonable Cost Threshold and diversity requirements set by the Public Regulations Commission. These three items make up the three-pronged challenge to meeting renewable standards in New Mexico. Currently, these requirements are out of sync, meaning that all three cannot be met without sacrificing a part of the other. For example, a 20% solar requirement was

found to be irreconcilable in PNM's last plan without a 2 for 1 multiplier for the renewable energy credits (RECs) produced by solar energy systems.

Lesson Three-Distributed Generation should be clearly emphasized in legislation. Distributed Generation provides benefits for the long-term energy stability of New Mexico. Most importantly, a statutory distributed generation emphasis will help New Mexico to build a reliable and strong renewable energy industry that will have the expertise, manpower, and capital to build and maintain renewable energy systems for years to come. The Renewable Energy Act, while establishing renewable energy goals the state should be proud of, leaves up to chance the establishment of a local industry by not specifically setting aggressive targets for DG generation.

Lesson Four-Calculations made as to the effects of renewable energy should be made on a long-term basis. The most important example of this being the Reasonable Cost Threshold, for which much ambiguity continues to exist, leaving the most recent case at the PRC full of argument that would be easily decided should a concrete methodology for a calculation be established. Much of the argument has to do with the short-term versus long-term impacts of renewable energy on the ratebase. REIA strongly encourages a long-term approach be taken, as it is the most logical in analyzing the effect of assets that last for 30 years or longer.

There are many legitimate interests in creating goals for New Mexico's energy future. Specifically, utilities, consumer advocates, environmental groups, and industry should be brought to the table to collaborate in producing reasonable but strong policies that will help guide New Mexico to energy independence and a clean energy system.

Lastly, I would like to briefly touch on the progress of PACE in New Mexico. PACE stands for "Property Assessed Clean Energy". PACE programs allow for property owners to obtain the capital to build a renewable energy system and repay the financing through a line item on their property taxes. Currently, the county of Santa Fe is implementing the first program, which is expected to launch shortly.

New Mexico's legislation limits financing opportunities to renewable energy systems. Most, if not all PACE programs across the country are also financing energy efficiency and water efficiency improvements as well. The expanded scope has the effect of creating greater economies of scale within a program as well as expanding the usability of such a program to different socio-economic classes. I have been working with a wide variety of groups, governmental, environmental, and industry, to expand NM's legislation. I encourage members of the committee to support such an initiative in January.

I thank you for your time today, and I am free for any questions committee members might have.